

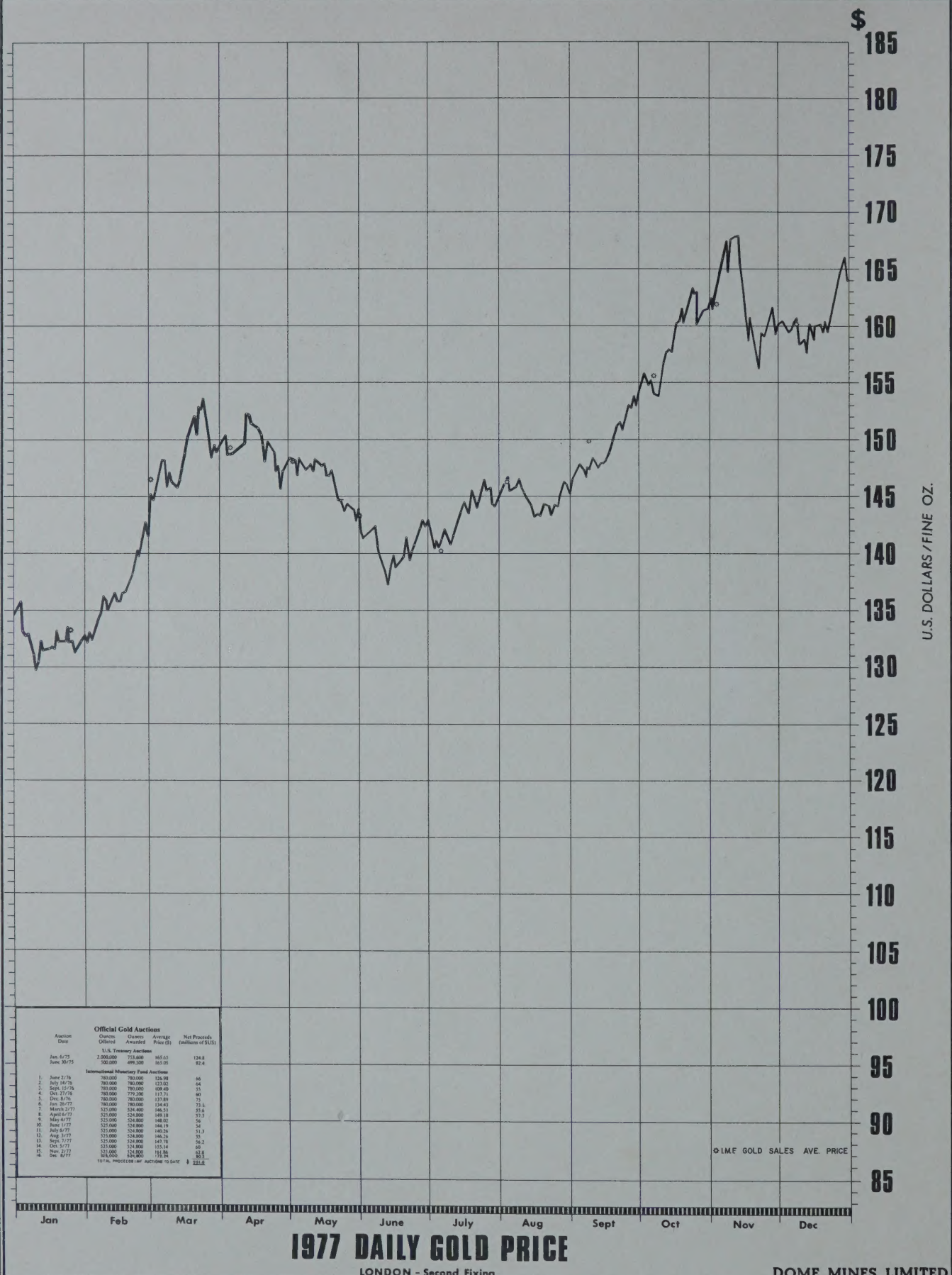
AR52

CAMPBELL RED LAKE MINES LIMITED

Report to Shareholders

For the Financial Year Ended December 31

1977



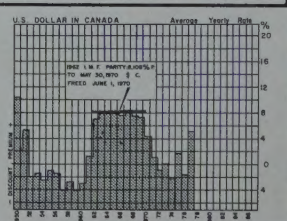
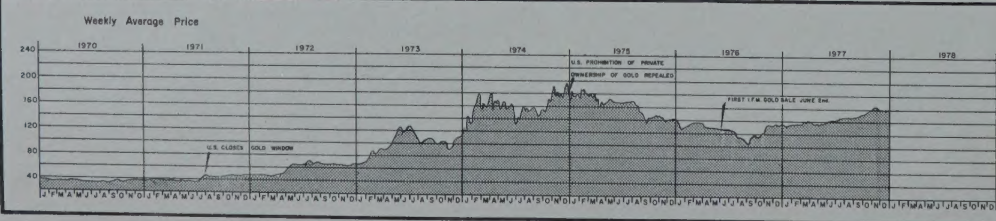
U.S. DOLLARS / FINE OZ.

TIME GOLD SALES AVE. PRICE

Official Gold Auctions				
Auction Date	Quantity Offered	Quantity Awarded	Average Price (\$)	Net Proceeds (millions of \$US)
U.S. Treasury Auctions				
Jan. 6/77	2,000,000	153,000	165.65	124.8
June 30/77	500,000	499,300	165.05	82.4
International Monetary Fund Auctions				
1. June 2/76	780,000	780,000	126.98	66
2. July 16/76	780,000	780,000	123.02	64
3. Sept. 15/76	780,000	780,000	109.40	55
4. Oct. 27/76	780,000	779,200	117.71	60
5. Dec. 8/76	780,000	780,000	137.89	71
6. Jan. 26/77	780,000	780,000	134.45	73.5
7. March 2/77	525,000	524,400	146.51	53.6
8. April 14/77	525,000	524,800	149.18	57.9
9. May 4/77	525,000	524,800	148.02	56
10. June 1/77	525,000	524,800	146.19	54
11. July 6/77	525,000	524,800	140.36	51.3
12. Aug. 1/77	525,000	524,800	146.26	55
13. Sept. 1/77	525,000	524,800	147.18	56.2
14. Oct. 1/77	525,000	524,800	155.14	60
15. Nov. 2/77	525,000	524,800	151.94	62.8
16. Dec. 1/77	525,000	524,800	150.5	60.5
TOTAL PROCEEDS IMF AUCTIONS TO DATE				\$ 1248.6

1977 DAILY GOLD PRICE LONDON - Second Fixing

DOMINE MINES LIMITED



CAMPBELL RED LAKE MINES LIMITED

Report to Shareholders

For the Financial Year Ended December 31

1977

ANNUAL MEETING OF SHAREHOLDERS

will be held
at 11:45 o'clock a.m. (Toronto time)

Monday, May 1, 1978
Territories Room, Royal York Hotel
TORONTO, ONTARIO

Campbell Red Lake Mines Limited

(Incorporated under the laws of Ontario)

LOCATION OF MINE

Township of Balmer, Red Lake Mining Division, Province of Ontario
(Post Office: Balmertown, Ont. P0V 1C0)

HEAD OFFICE AND ADDRESS OF THE PRESIDENT

365 Bay Street, Suite 600, Toronto, Ont. M5H 2V9

ADDRESS OF THE SECRETARY

Box 30, Toronto-Dominion Centre, Toronto, Ont. M5K 1C1

REGISTRARS

Canada Permanent Trust Company
320 Bay Street, Toronto, Ont. M5H 2P6
The Toronto-Dominion Bank Trust Company, 45 Wall Street, New York, N.Y. 10005

TRANSFER AGENTS

Crown Trust Company, 302 Bay Street, Toronto, Ont. M5H 2P4
The Bank of New York, 48 Wall Street, New York, N.Y. 10015

DIRECTORS

Fraser M. Fell	Toronto, Ont.
William F. James	Toronto, Ont.
John K. McCausland	Toronto, Ont.
James B. Redpath	Toronto, Ont.
Malcolm A. Taschereau	Toronto, Ont.

OFFICERS

Chairman of the Board	James B. Redpath
President	Malcolm A. Taschereau
Vice-President	Edmund J. Andrecheck
Secretary	Fraser M. Fell
Assistant Secretary	John H. Hough
Treasurer	Robert B. Hutchison
Manager	Stewart M. Reid
General Superintendent	Allan H. Ludwig

AUDITORS

Clarkson, Gordon & Co., Toronto, Ont. M5K 1J7

GENERAL COUNSEL

Fasken & Calvin
Box 30, Toronto-Dominion Centre, Toronto, Ont. M5K 1C1

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the information circular will accompany the Notice of Annual Meeting which is being mailed to all shareholders.

COMPARATIVE SUMMARY

	1977	1976
Tonnage Milled	297,248	300,535
Ounces Gold Produced	191,031	184,610
Average Price realized per ounce on sales during the year	\$158.10	\$123.86
Value of Bullion	\$31,045,000	\$22,870,000
Operating Costs	\$10,659,000	\$9,475,000
Taxes (Provincial and Federal)	\$11,671,000	\$8,012,000
Net Income	\$11,129,000	\$7,573,000
Net Income per share	\$1.39	\$0.95
Current Assets	\$38,235,000	\$33,852,000
Current Liabilities	\$7,426,000	\$6,484,000
Working Capital	\$30,809,000	\$27,368,000
Number of Shareholders — December 31	6,697	7,396
Dividends Declared	\$6,799,000	\$7,199,000
Dividends declared per share	\$0.85	\$0.90
Shares Issued	7,999,000	7,999,000

REPORT OF THE DIRECTORS
of
Campbell Red Lake Mines Limited
(For the Financial Year Ended December 31, 1977)

Toronto, Ontario,
March 23, 1978.

To the Shareholders of
Campbell Red Lake Mines Limited:

Your Directors herewith submit the Company's balance sheet and statements of income, retained earnings and changes in financial position, together with the Report of the Auditors thereon and the Report of the Manager, covering the financial year ended December 31, 1977.

The gross production for 1977 was 191,031 ounces of gold as compared to 184,610 ounces for 1976.

The operating profit before deducting tax under The Mining Tax Act, outside exploration expenses and provision for federal and provincial income tax was \$20,386,000. The non-operating revenue was \$2,385,000. These combined gave a total of \$22,771,000. Tax under The Mining Tax Act, outside exploration expenses and provision for taxes on income amounted to \$12,409,000 leaving net income of \$11,129,000 as compared to \$7,573,000 a year ago. Your Company declared dividends totalling 85¢ per share during the calendar year as compared to 90¢ in 1976. The amount of this dividend was dictated by regulations of the Anti-Inflation Board.

The net income rose due to increased bullion production and substantially higher gold sale prices which during the year averaged \$158.10 Canadian as compared to \$123.86 the previous year. Operating costs continued to escalate as a result of continually increasing wages and costs of supplies and were up 12½% over 1976.

Operations at Balmertown are fully covered in the Report of the Manager commencing on page thirteen of this report.

Dome Petroleum Limited again had a most satisfactory year with net income of \$104,285,000. Your Company's equity in the earnings of Dome Petroleum amounted to \$767,000.

The mineral exploration program conducted by Dome Exploration (Canada) Limited on behalf of Dome Mines and subsidiaries, Campbell and Sigma, continued at the same level as in 1976. Details are covered on page fifteen of this report.

Following the introduction of special federal tax incentives for oil and gas exploration in the northern frontier areas of Canada, your Company entered into an agreement to participate in the drilling, by Dome Petroleum Limited, of four exploratory wells in the Beaufort Sea. A 0.5% participation in future net production earnings from the specified blocks on which the wells are situated was obtained at a pre-tax cost to the Company of \$2.5 million. The results of this program are particularly encouraging in that significant oil or gas discoveries were made in all three holes drilled to date, as reported by Dome Petroleum in their September 30, 1977 interim report.

With regard to our product, gold, the following paragraph is quoted from the annual report of the parent company, Dome Mines Limited:

"The year 1977 opened with the price of gold on the London market at \$135.76 per ounce in United States funds. The year ended with a price of \$164.95 per ounce. In effect the year showed a continuing gradual increase from the low point of \$103.00 reached in August of 1976. Eleven auctions were held during the year by the International Monetary Fund. Each of these was substantially over-subscribed and the total of 6,030,000 ounces offered were readily absorbed with no apparent effect on market price. Higher prices and greater demand result from increased concern over continuing balance of payment deficits and continuing inflation in most countries of the western world. In Canada the Canadian dollar dropped to an average discount of 6% compared to the U.S. dollar. During the previous year the Canadian dollar had been at an average 2% premium. These factors all contributed to higher Canadian dollar earnings for Canadian gold producers. Looking to the future it seems probable that problems of international liquidity and balance of payments together with strong inflationary pressures and the consequent erosion of the value of paper currencies will continue to enhance the value of gold as a protection against the ever declining value of our savings."

Mr. Malcolm A. Taschereau was appointed President of the Company on April 26th, 1977.

Mr. Edmund J. Andrecheck retired as Treasurer of the Company on September 1st, 1977, and was appointed Vice-President.

Mr. Robert B. Hutchison was appointed Treasurer of the Company on September 1st, 1977. Mr. Hutchison was formerly Office Superintendent of Sigma Mines (Quebec) Limited.

At this time, your Directors wish to record their appreciation for the effective efforts of management and staff and for the continued loyal service which all employees rendered to the Company.

Respectfully submitted,

On behalf of the Board,

JAMES B. REDPATH,
Chairman of the Board.

Campbell Red Lake Mines Limited

ACCOUNTING POLICIES DECEMBER 31, 1977 and 1976

The following is a summary of the principal accounting policies of the company. These policies are in conformity with generally accepted accounting principles in Canada and are also, in all material respects, in conformity with those generally accepted in the United States.

A. Basis of accounting for Dome Petroleum Limited

Dome Mines Limited, the parent company, owns 26% of the common shares of Dome Petroleum Limited and accounts for the investment by the equity method. Therefore the investment of .8% in Dome Petroleum Limited is also accounted for on the equity method whereby the company's investment is carried at cost plus its share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying book value at the various dates of acquisition is attributable to Dome Petroleum's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

B. Valuation of inventories

Bullion on hand and in transit is valued at its estimated net realizable value. The method used in estimating net realizable value is:

- to value bullion sold to the date the estimate is made at actual net realized value, and
- to value unsold bullion on this date at 85% of the closing London price.

Mining and milling supplies are valued at cost determined on an average cost basis.

C. Valuation of investments

Except for the investment in Dome Petroleum Limited (A above), marketable securities and other investments with a quoted market value are valued at cost. The investment in oil and gas properties has been accounted for using the successful efforts method of accounting which provides for the investment to be valued at cost (gross expenditure less the frontier exploration allowance incentive) pending the results of exploration on such properties. All other investments are carried at cost except for Panarctic Oils Ltd. (acquired for development work) which has, since January 1, 1973, been carried at the amount expended since that date (with deferred income taxes arising as a result of writing these expenditures off for income tax purposes included as a deferred credit).

D. Valuation of capital assets

1. Buildings, machinery and equipment are shown at cost. Mining claims, properties and townsite land are at cost less amounts written off.
2. Upon sale or retirement, the cost of capital assets and the related depreciation or amortization are removed from the accounts and any gain or loss is taken into income.
3. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

E. Depreciation and amortization

1. Depreciation on buildings, machinery and equipment is provided at the rate of 15% per annum on the straight-line method.
2. Mining claims and properties are being amortized at the rate of 15% per annum on the straight-line method.

F. Mine development and exploration expenditures

All mine development, shaft sinking and exploration expenditures are charged against income as incurred.

G. Income and mining taxes

The company follows the tax allocation method of accounting. Under this method, timing differences between the amount of income reported for tax purposes and the amount of accounting income (which arise principally as a result of claiming depreciation and exploration at rates differing from those recorded in the accounts), result in provisions for deferred taxes and these are segregated in the deferred income and mining tax accounts at the year-end.

Campbell Red Lake Mines Limited

STATEMENT OF INCOME YEARS ENDED DECEMBER 31, 1977 and 1976

	1977	1976
Bullion revenue	\$ 31,045,000	\$ 22,870,000
Operating costs:		
Development	1,627,000	1,488,000
Mining	4,045,000	3,601,000
Milling	2,479,000	1,993,000
Refining and marketing	218,000	214,000
General and administrative	1,206,000	1,198,000
Taxes other than income and mining	204,000	185,000
Depreciation and amortization	880,000	796,000
	<u>10,659,000</u>	<u>9,475,000</u>
Operating profit	20,386,000	13,395,000
Interest and miscellaneous income	2,385,000	2,474,000
	<u>22,771,000</u>	<u>15,869,000</u>
Outside exploration expenses	738,000	654,000
Income before taxes and equity in earnings of Dome Petroleum Limited	<u>22,033,000</u>	<u>15,215,000</u>
Income and mining taxes (note 2):		
Federal income tax	5,950,000	4,153,000
Provincial income tax	1,850,000	1,324,000
Provincial mining tax	3,871,000	2,535,000
	<u>11,671,000</u>	<u>8,012,000</u>
Income after taxes, before equity in earnings of Dome Petroleum Limited	10,362,000	7,203,000
Equity in earnings of Dome Petroleum Limited (note 3)	767,000	370,000
Net income for the year	<u>\$ 11,129,000</u>	<u>\$ 7,573,000</u>
Net income per share	<u>\$1.39</u>	<u>\$0.95</u>

STATEMENT OF RETAINED EARNINGS YEARS ENDED DECEMBER 31, 1977 and 1976

	1977	1976
Balance, beginning of the year	\$ 33,028,000	\$ 32,654,000
Add net income for the year	11,129,000	7,573,000
	<u>44,157,000</u>	<u>40,227,000</u>
Deduct dividends (1977 — \$0.85 per share; 1976 — \$0.90 per share)	6,799,000	7,199,000
Balance, end of the year	<u>\$ 37,358,000</u>	<u>\$ 33,028,000</u>

(See accompanying notes to financial statements)

CAMPBELL RED LAKE

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET DECEMBER 31, 1977 AND 1976

ASSETS		1977	1976
Current assets:			
Cash, including bank term deposits		\$ 15,684,000	\$ 10,877,000
Bullion (note 4)		4,351,000	4,182,000
Short-term commercial paper, at cost		13,905,000	13,752,000
Marketable securities (schedule attached)		1,792,000	2,592,000
Sundry receivables		577,000	833,000
Mining and milling supplies		1,926,000	1,616,000
		<u>38,235,000</u>	<u>33,852,000</u>
Investments (schedule attached) (note 3)		<u>6,932,000</u>	<u>4,296,000</u>
Capital assets:			
Buildings, machinery and equipment		12,270,000	11,824,000
Less accumulated depreciation		9,333,000	8,582,000
		<u>2,937,000</u>	<u>3,242,000</u>
Mining claims and properties		92,000	134,000
Townsite land		57,000	87,000
		<u>3,086,000</u>	<u>3,463,000</u>
		<u>\$ 48,253,000</u>	<u>\$ 41,611,000</u>

(See accompanying notes to the financial statements)

AUDITORS

To the Shareholders of
Campbell Red Lake Mines Limited:

We have examined the balance sheet of Campbell Red Lake Mines Limited as at December 31, 1977 and 1976 and the statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

K E M I N E S L I M I T E D

(Incorporated under the laws of Ontario)

DECEMBER 31, 1977 AND 1976

LIABILITIES AND SHAREHOLDERS' EQUITY

	1977	1976
Current liabilities:		
Salaries and wages payable	\$ 244,000	\$ 248,000
Accounts payable	540,000	505,000
Accrued charges	252,000	210,000
Accrued taxes (note 2)	3,190,000	3,121,000
Dividends payable	3,200,000	2,400,000
	<u>7,426,000</u>	<u>6,484,000</u>
Deferred income taxes	1,848,000	478,000
Shareholders' equity:		
Capital —		
Authorized:		
8,000,000 shares of \$0.50 par value each		
Issued:		
7,999,000 shares	4,000,000	4,000,000
Discount (net) on shares issued	2,379,000	2,379,000
	<u>1,621,000</u>	<u>1,621,000</u>
Retained earnings	37,358,000	33,028,000
	<u>38,979,000</u>	<u>34,649,000</u>
On behalf of the Board:		
J. B. REDPATH, Director		
F. M. FELL, Director		
	<u>\$48,253,000</u>	<u>\$41,611,000</u>

(continued on page 10 of financial statements)

REPORT

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Toronto, Canada,
March 8, 1978.

CLARKSON, GORDON & CO.
Chartered Accountants

Campbell Red Lake Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION YEARS ENDED DECEMBER 31, 1977 and 1976

	1977	1976
Source of working capital:		
Operations —		
Net income for the year	\$ 11,129,000	\$ 7,573,000
Items not affecting working capital:		
Depreciation and amortization	880,000	796,000
Increase in deferred income taxes	1,370,000	66,000
Equity in undistributed earnings of Dome Petroleum Limited (note 3)	(767,000)	(370,000)
Total	<u>12,612,000</u>	<u>8,065,000</u>
 Disposition of working capital:		
Dividends	6,799,000	7,199,000
Expenditures on capital assets	503,000	857,000
Increase in other investments	1,869,000	189,000
Total	<u>9,171,000</u>	<u>8,245,000</u>
Net increase (decrease) in working capital for the year	<u>\$ 3,441,000</u>	<u>\$ (180,000)</u>
 Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash and bank term deposits	\$ 4,807,000	\$ 1,265,000
Bullion	169,000	10,000
Short-term commercial paper	153,000	(2,728,000)
Marketable securities	(800,000)	1,005,000
Sundry receivables	(256,000)	243,000
Mining and milling supplies	310,000	60,000
	<u>4,383,000</u>	<u>(145,000)</u>
Increase (decrease) in current liabilities —		
Salaries and wages payable	(4,000)	50,000
Accounts payable	35,000	(44,000)
Accrued charges	42,000	8,000
Accrued taxes	69,000	(1,179,000)
Dividends payable	800,000	1,200,000
	<u>942,000</u>	<u>35,000</u>
Net increase (decrease) in working capital for the year	3,441,000	(180,000)
Working capital, beginning of the year	27,368,000	27,548,000
Working capital, end of the year	<u>\$30,809,000</u>	<u>\$27,368,000</u>

(See accompanying notes to financial statements)

Campbell Red Lake Mines Limited

SCHEDULE OF MARKETABLE SECURITIES AND OTHER INVESTMENTS DECEMBER 31, 1977 and 1976

	1977		1976	
	Book value	Market value	Book value	Market value
Marketable securities:				
Government and government guaranteed short-term securities	\$ 587,000	\$ 601,000	\$1,087,000	\$1,111,000
Corporate bonds	1,205,000	1,228,000	1,505,000	1,528,000
	<u>\$1,792,000</u>	<u>\$1,829,000</u>	<u>\$2,592,000</u>	<u>\$2,639,000</u>
Other investments:				
With a quoted market value —				
Dome Petroleum Limited:				
Shares (1977 — 100,000; 1976 — 100,000)	\$4,408,000	\$5,963,000	\$3,641,000	\$4,062,000
With no quoted market value:				
Panarctic Oils Ltd.:				
Common shares, no par value (1977 — 211,672; 1976 — 190,090)	494,000		395,000	
Oil and gas properties	1,840,000			
Sundry	190,000		260,000	
	<u>\$6,932,000</u>		<u>\$4,296,000</u>	

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1977 and 1976

1. Accounting policies

The principal accounting policies followed by the company are summarized under the caption "Accounting Policies".

2. Income and mining taxes

(a) The provision for income and mining taxes consists of:

	1977		1976	
	Current	Deferred	Current	Deferred
Federal income tax	\$ 4,780,000	\$1,170,000	\$4,099,000	\$54,000
Provincial income tax	1,650,000	200,000	1,312,000	12,000
Provincial mining tax	3,871,000		2,535,000	
	<u>\$10,301,000</u>	<u>\$1,370,000</u>	<u>\$7,946,000</u>	<u>\$66,000</u>

(b) Income and mining taxes for 1977 are provided at a combined federal and provincial effective rate of 53.0%, an increase of .3% over 1976.

The difference between the combined federal and provincial basic statutory rate and that used in calculating the provision for income and mining taxes is made up as follows:

	<u>1977</u>	<u>1976</u>
Income taxes –		
Basic statutory rate (combined)	<u>48.0%</u>	<u>48.0%</u>
Less:		
Resource allowance	<u>7.7</u>	<u>7.9</u>
Depletion	<u>4.9</u>	<u>4.1</u>
	<u>12.6</u>	<u>12.0</u>
Effective rate	35.4	36.0
Mining taxes –		
Average rate	<u>17.6</u>	<u>16.7</u>
Total income and mining tax rate used	<u>53.0%</u>	<u>52.7%</u>

3. Summary of investment in Dome Petroleum

	<u>1977</u>	<u>1976</u>
Cost of acquisition	\$2,768,000	\$2,768,000
Equity in undistributed earnings	<u>1,640,000</u>	<u>873,000</u>
	<u>\$4,408,000</u>	<u>\$3,641,000</u>
Market value (which is not necessarily indicative of realizable value)	<u>\$5,963,000</u>	<u>\$4,062,000</u>
Number of shares	<u>100,000</u>	<u>100,000</u>

The unamortized excess of cost of investment over the underlying book value at the various dates of acquisition was: 1977 – \$1,378,000; 1976 – \$1,456,000.

4. Bullion

Bullion on hand and in transit is valued at the net estimated realizable value at the year end (1977 – \$162 per ounce; 1976 – \$127 per ounce).

5. Remuneration of directors and officers

The total remuneration paid in respect of 1977 by the company to its directors and senior officers (defined by The Business Corporations Act, Ontario, 1970, to include the five highest paid employees) amounted to \$202,000 (1976 – \$189,000).

6. Anti-Inflation Program

Under the federal government's Anti-Inflation Program (presently scheduled to be in force until December 31, 1978) the company is subject to mandatory compliance with controls on profits, employee compensation and dividends. Dividends during the year ending October 13, 1978 may not exceed \$0.86 per share. Management is of the opinion that the company is in compliance with the requirements of the anti-inflation legislation.

Campbell Red Lake Mines Limited

REPORT OF THE MANAGER

To the Chairman of the Board, President and Directors:

The following report covering the operations of your Company during the year 1977, is submitted for your consideration.

During the year, 315,263 tons were hoisted, of which 297,248 tons were ore and 18,015 tons were waste.

The 297,248 tons of ore milled yielded bullion containing 191,031 ounces of gold, the average yield being 0.643 ounces per ton or 12.86 pennyweights per ton. All grades of ore will be expressed in pennyweights (dwt.) throughout this report. One pennyweight equals one twentieth (1/20th) of an ounce Troy weight. The price received on all sales during the year averaged \$158.10 per ounce.

MINING:

Broken ore totalling 125,600 tons remains in the stopes, an increase of 19,800 tons from the previous year.

The main stoping operations were above the 15th or 2,200-foot level.

Ore removed by cut-and-fill mining was 28.8% of the total ore mined.

DEVELOPMENT:

Development was distributed from the 3rd level to the 21st level. Of this work, 32% was devoted to exploration drives on the 21st level.

Diamond drilling footage was increased to 35,553 feet, an increase of 17% over last year.

The following table shows details of development and diamond drilling completed during the year.

SUMMARY OF DEVELOPMENT FOOTAGE BY LEVELS FOR YEAR 1977

Level	Drifts	Crosscuts	Raises	Slabbing	Total	Diamond Drilling
Surface .....	.....	.....	.....	.....	.....	298
2nd .....	.....	.....	.....	.....	.....	164
3rd	138	.....	.....	28	166	1,954
4th	574	.....	26	132	732	3,342
5th	789	.....	318	145	1,252	331
6th	31	.....	36	.....	67	5,066
7th	7	.....	276	82	365	252
8th	36	.....	.....	28	64	5,711
9th .....	.....	.....	.....	.....	.....	334
10th	171	.....	162	469	802	1,275
11th	338	.....	.....	70	408	1,167
12th	8	.....	117	13	138	5,233
13th	551	.....	54	67	672	2,815
14th	99	.....	182	66	347	.....
15th	445	.....	185	324	954	1,263
16th	36	.....	268	40	344	.....
17th .....	.....	181	189	20	390	143
18th	198	.....	.....	16	214	300
19th	99	.....	189	16	304	804
20th	477	.....	.....	17	494	.....
21st	2,215	.....	.....	224	2,439	5,101
TOTALS	6,212	181	2,002	1,757	10,152	35,553

ORE PRODUCTION:

The mine produced 297,248 tons of ore during the year which averaged 13.77 dwt. The stopes produced 267,716 tons averaging 14.68 dwt. and development produced 29,532 tons averaging 5.46 dwt.

CAMPBELL RED LAKE MINES LIMITED

ORE RESERVES:

The ore reserves are estimated at 1,855,700 tons, an increase of 121,300 tons over the previous year. Ore reserves include 125,600 tons of broken ore.

A summary of the distribution of ore in place, broken ore and total ore extracted from the stopes to the end of 1977 is as follows:

SUMMARY OF ORE RESERVES AND EXTRACTION BY LEVELS

	Tons Ore in Place	Average Grade (dwt. per ton)	Tons Broken Ore	Total Tons Ore Extracted From Stopes to End of 1977
Surface to 1st Level	1,600	10.69	.....	260,004
1st Level to 2nd Level	4,500	10.69	400	348,230
2nd Level to 3rd Level	8,400	11.66	3,600	415,626
3rd Level to 4th Level	17,700	11.95	1,700	553,813
4th Level to 5th Level	34,000	10.38	23,900	614,293
5th Level to 6th Level	74,200	13.72	12,000	535,098
6th Level to 7th Level	42,600	12.11	13,800	733,087
7th Level to 8th Level	35,500	12.00	3,600	740,288
8th Level to 9th Level	34,500	14.56	2,700	537,504
9th Level to 10th Level	62,500	14.88	24,200	445,210
10th Level to 11th Level	87,400	16.84	21,100	231,574
11th Level to 12th Level	128,300	14.92	9,000	168,370
12th Level to 13th Level	194,600	14.90	1,900	137,637
13th Level to 14th Level	187,300	14.19	600	198,823
14th Level to 15th Level	196,600	14.17	4,300	141,193
15th Level to 16th Level	164,700	14.23	1,200	18,289
16th Level to 17th Level	204,600	12.09	100	8,685
17th Level to 18th Level	106,900	9.32	1,300	14,942
18th Level to 19th Level	57,700	12.21	.....	9,614
19th Level to 20th Level	47,900	10.99	200	10,438
20th Level to 21st Level	38,600	10.68	.....	.....
	1,730,100	13.47	125,600	6,122,718

Ore in Place 1,730,100

Broken Ore 125,600

1,855,700

Increase over 1976 is 121,300 Tons.

MILL:

The following are results of milling operations:

Tons of ore treated	297,248
Average tons per calendar day	814 tons
Average grade of ore treated	13.77 dwt. per ton
Recovery	12.86 dwt. per ton
Recovery percentage	93.35%

COSTS:

The expenditure on mining was \$4,044,581 or \$13.61 per ton milled.

The expenditure on development was \$1,626,714 or \$5.47 per ton milled.

Operating costs (excluding amortization and depreciation) were \$9,778,454 or \$32.90 per ton milled.

CAPITAL EXPENDITURES:

Net capital expenditures for the year were \$506,484. This amount includes emergency diesel generator, new mill equipment, additions to mill dry and surface dry, new truck and loader for Maintenance Department, underground loaders, slushers and rock drills.

The details of changes in plant buildings and equipment are as follows:

Additions:

Mine equipment	\$ 89,645
Mill buildings and equipment	223,431
Surface buildings and equipment	193,408
Total	<u>\$506,484</u>

EXPLORATION:

Campbell continued to participate in an exploration program conducted by the parent company, Dome Mines Limited. On projects that began between January 1, 1969 and January 1, 1977, Campbell will maintain its 21% participation. As of January 1, 1977, any new Ontario projects will be financed as to 50% by Campbell and any new projects located outside Ontario or Quebec will be financed as to 40% by Campbell.

During 1977, programs were carried out in the following areas:

Nova Scotia:

Campbell participated, with partners, in the exploration of a large claim group for base metals and in the exploration of a uranium prospect as well as in the staking of further base-metal claims.

Quebec:

Participation continued on ten major projects.

Ontario:

Campbell participated in fourteen major projects, three of which were joint ventures with outside partners. One of the projects, contiguous to the mine property, was solely for Campbell's account.

Drilling was carried out on five properties, ground geophysics on one and a combined program of airborne and ground radiometric surveys was completed on a regional uranium prospecting program. An extensive airborne electromagnetic survey was carried out over a previously-untested volcanic belt.

Participation was maintained in two joint-venture programs and initiated on a third.

Manitoba:

Further exploration was completed on uranium prospects in southern Manitoba.

Campbell maintained its interest in a joint-venture claim group in southern Manitoba.

Western Canada:

During 1977, three joint-venture programs continued in British Columbia and the Yukon; one of these involved drilling on a new gold prospect.

United States:

Campbell contributed to an exploration program and to a joint venture, both of which were started in 1977, to explore selected areas in western U.S.A.

Exploration continued, with partners, on a uranium prospect in Alaska.

GENERAL:

All areas of the mine and plant have been adequately staffed with competent personnel.

Our continuing exploration in all areas of potential ore in the upper levels has been very encouraging. A number of promising sections are being investigated above the 12th level.

Total operating costs have increased by 12.5% reflecting the continuing escalation of wages, services and supplies.

Operating revenues increased by 36% due to the higher price received for gold (\$158.10 vs. \$123.86), greater mill efficiency and slightly higher number of ounces produced.

Seventy-five percent of our development program has been concentrated above the 15th level and 2,215 feet of exploration work has been carried out on the 21st level (3,000-foot horizon). This program is to extend our geological knowledge of the northwest and southwest portions of our property.

Our safety program continues to show excellent results with only five compensable accidents recorded in 1977.

Two employees were inducted into our Quarter Century Club, bringing total membership to 21.

Appended to this report is a table setting forth the communities in which purchases were made, wages and salaries paid, and distribution of taxes.

In conclusion, I wish to record my sincere appreciation to Mr. Allan Ludwig, General Superintendent, heads of the operating departments and to all members of the staff for their cooperation, efficiency and loyalty.

Respectfully submitted,

Balmertown, Ontario,
February 17, 1978.

STEWART M. REID,
Manager.

**LIST OF EXPENDITURES OF THE COMPANY
AND THE LOCATION OF THE VARIOUS SUPPLIERS**

Total supplies and services	\$7,634,000
Total amount of wages and salaries	5,244,000
Income taxes	7,800,000
Mining taxes	3,871,000
Other taxes (Provincial and Municipal)	205,000

PRINCIPAL CITIES AND TOWNS IN CANADA WHICH BENEFIT

Atikokan	Fort Saskatchewan	North Gower	Sudbury
Balmertown	Fort Erie	Oakville	Teulon
Belleville	Gananoque	Orillia	Thornbury
Brampton	Guelph	Ottawa	Thornhill
Burlington	Haileybury	Owen Sound	Thunder Bay
Calgary	Hamilton	Pointe Claire	Toronto
Cambridge	Ignace	Red Lake	Upsala
Cochesnut	Kenora	Regina	Vancouver
Don Mills	Kitchener	Rexdale	Vermilion Bay
Dorval	Kirkland Lake	Sault Ste. Marie	Waterloo
Downsview	Lachine	Scarborough	West Hill
Dryden	Markham	Simcoe	Weston
Dundas	Mississauga	St. Catharines	Willowdale
Ear Falls	Montreal	Stoney Creek	Windsor
Edmonton	North Bay	South Porcupine	Winnipeg

**NUMBER OF COMMUNITIES, COMPANIES AND INDIVIDUALS THROUGH WHOM
SUPPLIES AND SERVICES ARE PURCHASED**

	Communities	Companies and Individuals
British Columbia	1	4
Manitoba	2	91
Ontario	49	215
Quebec	4	19
Alberta	3	6
Saskatchewan	1	1
United States of America	4	8
	<u>64</u>	<u>344</u>

FIVE-YEAR REVIEW

Production:	1977	1976	1975	1974	1973
Tons milled (in thousands)	297	301	300	290	304
Fine ounces (in thousands)	191	185	185	197	196
Recovery value per ton	\$ 104.44	\$ 76.10	\$ 98.37	\$ 110.05	\$ 65.41
Number of employees at year-end	334	342	315	313	306
Financial (in thousands; except per share):					
Bullion revenue	\$ 31,045	\$ 22,870	\$ 29,467	\$ 31,895	\$ 19,871
Operating expenses	10,659	9,475	8,083	6,443	5,593
Operating profit	20,386	13,395	21,384	25,452	14,278
Interest income from affiliate					42
Other income	2,385	2,474	1,847	1,767	790
	22,771	15,869	23,231	27,219	15,110
Deduct outside exploration expenses	738	654	530	377	344
	22,033	15,215	22,701	26,842	14,766
Provision for taxes**	11,671	8,012	11,640	12,871	5,935
	10,362	7,203	11,061	13,971	8,831
Equity in earnings of affiliate	767	370	305	121	77
Net income	<u>\$ 11,129</u>	<u>\$ 7,573</u>	<u>\$ 11,366</u>	<u>\$ 14,092</u>	<u>\$ 8,908</u>
Dividends declared	\$ 6,799	\$ 7,199	\$ 4,799	\$ 5,999	\$ 3,000
Per Share:*					
Net income	\$ 1.39	\$ 0.95	\$ 1.42	\$ 1.76	\$ 1.11
Dividends	\$ 0.85	\$ 0.90	\$ 0.60	\$ 0.75	\$ 0.38
Working capital at year-end	\$ 30,809	\$ 27,368	\$ 27,548	\$ 21,773	\$ 15,009
Total shareholders' equity at year-end	\$ 38,979	\$ 34,649	\$ 34,275	\$ 27,708	\$ 19,615
Total assets at year-end	\$ 48,253	\$ 41,611	\$ 41,136	\$ 37,707	\$ 23,657
Number of shareholders at year-end	6,697	7,396	6,850	6,723	5,919

* Restated to effect the 2 for 1 stock split May 10, 1974.

**Provision for taxes has been restated to include provincial mining taxes previously included in operating expenses.

CAMPBELL RED LAKE MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FIVE-YEAR REVIEW

As a result of increased gold sale prices, bullion revenue in 1977 was \$31,045,000, second highest in the history of the Company and only slightly lower than the record \$31,895,000 received in 1974. Bullion revenue during all of the years under review was higher than in any other year preceding the period.

Inflation continued throughout the period to affect costs of operation which increased from \$5,593,000 in 1973 to \$10,659,000 in 1977. Labour costs since late 1975 have been subject to controls under the Anti-Inflation Act, however, these controls have not applied to government services such as assessments for Unemployment Insurance, Canada Pension Plan, Workmen's Compensation, etc., nor to electric power charges or taxation of real estate for municipal or educational purposes.

Income and mining taxes amounted to 53% of the profit from mining operations in 1977, the same as in the previous year, but a significantly higher level than the 38% effective rate prior to changes in The Mining Act in 1972 and 1974. It is noted that the 53% tax rate is an average rate and, due to the graduated mining tax in Ontario, the marginal tax rate is in excess of 60%. The total tax burden on the mining industry in Ontario has no doubt had its effect on investment on the exploration for and development of mines in the province.

Working capital of the Company continued to increase throughout the period and amounted to \$30,809,000 on December 31, 1977.

Dividends were paid out at the maximum rate allowed under A.I.B. regulations during each 12-month control period which commences on October 14th of each year.

Campbell is in compliance with all environmental regulations and maintains an extensive monitoring program for control of mill tailings, roaster stack emissions and mine and mill waste water effluents.

Directors and Executive Officers

The name and office held in the Company, principal occupation or employment, and principal business affiliation of each director and executive officer of the Company is as follows:

<u>Name and Office in Company</u>	<u>Principal Occupation or Employment</u>	<u>Principal Business Affiliation</u>
JAMES B. REDPATH, Chairman of the Board and a Director	Mining Executive	President, Dome Mines Limited and Chairman of the Board, Sigma Mines (Quebec) Limited, Toronto, Canada.
WILLIAM F. JAMES, Director	Consulting Geologist	Partner, James & Buffam, Consulting Geologists, Toronto, Canada.
JOHN K. McCAUSLAND, Director	Investment Broker (Retired)	Formerly Vice-President and Director, Wood Gundy Limited, Investment Dealers, Toronto, Canada.
MALCOLM A. TASCHEREAU, President and a Director	Mining Executive	Executive Vice-President, Dome Mines Limited and President, Sigma Mines (Quebec) Limited, Toronto, Canada.
FRASER M. FELL, Q.C., Secretary and a Director	Solicitor	Partner, Fasken & Calvin, Barristers & Solicitors, Toronto, Canada.
EDMUND J. ANDRECHECK, Vice-President	Accountant	Vice-President, Dome Mines Limited and subsidiary companies, Toronto, Canada.
ROBERT B. HUTCHISON, Treasurer	Accountant	Treasurer, Dome Mines Limited and subsidiary companies, Toronto, Canada.

Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded. Shown below are the high and low sales prices for the Company's shares on these exchanges for the periods indicated.

New York Stock Exchange	1977		1976	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
United States Dollars				
First Quarter	30 $\frac{3}{8}$	23	27 $\frac{1}{2}$	18 $\frac{1}{8}$
Second Quarter	28 $\frac{7}{8}$	23 $\frac{1}{4}$	25 $\frac{3}{8}$	20 $\frac{1}{4}$
Third Quarter	31 $\frac{3}{8}$	25 $\frac{1}{2}$	22 $\frac{5}{8}$	16 $\frac{1}{2}$
Fourth Quarter	35 $\frac{1}{2}$	29 $\frac{1}{2}$	26 $\frac{3}{8}$	19 $\frac{1}{4}$
Toronto Stock Exchange	1977		1976	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Canadian Dollars				
First Quarter	32 $\frac{1}{4}$	23	27	18 $\frac{1}{4}$
Second Quarter	30	25	24 $\frac{3}{4}$	20
Third Quarter	33 $\frac{3}{4}$	27 $\frac{1}{4}$	21 $\frac{1}{2}$	16 $\frac{1}{2}$
Fourth Quarter	39	33	26 $\frac{7}{8}$	18 $\frac{1}{2}$

Dividends Paid (Canadian dollars)

The dividends declared on the Company's shares for each quarterly period during 1976 and 1977 are shown below.

	1977			1976		
	Declared per share			Declared per share		
	Regular	Extra	Total	Regular	Extra	Total
First Quarter	\$0.15	\$ —	\$0.15	\$0.15	\$ —	\$0.15
Second Quarter	0.15	—	0.15	0.15	0.15	0.30
Third Quarter	0.15	—	0.15	0.15	—	0.15
Fourth Quarter	0.15	0.25	0.40	0.15	0.15	0.30
Total for Year	<u>\$0.60</u>	<u>\$0.25</u>	<u>\$0.85</u>	<u>\$0.60</u>	<u>\$0.30</u>	<u>\$0.90</u>

Annual Report on Form 10-K

Copies of the Company's form 10-K Annual Report to the United States Securities and Exchange Commission are available to shareholders without charge by writing to Fraser M. Fell, secretary of the Company, P.O. Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1C1.

IMF sued \$6 million
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